

Message Text

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ACTION EB-07

INFO OCT-01 EUR-12 IO-10 ISO-00 FEA-01 AGR-05 CEA-01

CIAE-00 COME-00 DODE-00 FRB-03 H-02 INR-07 INT-05

L-03 LAB-04 NSAE-00 NSC-05 PA-01 AID-05 CIEP-01 SS-15

STR-04 TAR-01 TRSE-00 USIA-06 PRS-01 SP-02 OMB-01

/103 W

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R 101545Z SEP 75

FM AMEMBASSY COPENHAGEN

TO SECSTATE WASHDC 1481

INFO AMEMBASSY BONN

AMEMBASSY BRUSSELS

USMISSION EC BRUSSELS

AMEMBASSY DUBLIN

USDEL MTN GENEVA

AMEMBASSY THE HAGUE

AMEMBASSY LONDON

AMEMBASSY LUXEMBOURG

AMEMBASSY PARIS

AMEMBASSY ROME

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PASS AGRICULTURE

E.O. 11652: N/A

TAGS: EAGR, ETRD, EEC, DA

SUBJECT: DANES REGISTER CONCERN ON CANNED HAM

COUNTERVAILING THREAT

1. SUMMARY. SPOKESMEN FOR THE DANISH AGRICULTURAL COUNCIL
AND THE DANISH BACON BOARD HAVE FORMALLY REGISTERED THE DEEP
AND GROWING CONCERN OF DANISH AGRICULTURE AND THE RELATED
SLAUGHTER AND RANNING INDUSTRIES OVER THE THREAT OF U.S. COUNTER-
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VAILING DUTIES ON DANISH CANNED HAM EXPORTS. STRESSING

REDUCED DANISH PIG NUMBERS, PORK PRODUCTION AND CANNED HAM EXPORTS TO THE U.S., THE DANES EXPRESSED THEIR BELIEF THAT EC EXPORT RESTITUTIONS HAVE NO ADVERSE EFFECT ON THE U.S. PORK MARKET. THEY CLAIMED THAT THE INEFFECTIVENESS OF THE RESTITUTIONS IS DEMONSTRATED BY THE INABILITY OF THE CANNED PRODUCTS TO COMPETE WITH OTHER END-USES OF PORK AND THE RESULTING DECLINE IN CANNED PORK EXPORTS TO THE U.S. THEY SEE THE COUNTERVAILING THREAT AS FURTHER DEPRESSING THE DANISH PORK INDUSTRY AND FORESEE ADVERSE EFFECTS ON U.S. EXPORTS TO DENMARK. THEY ALSO FORESEE DANISH AND/OR EC RETALIATION AGAINST U.S. EXPORTS IF THE U.S. DOES IN FACT COUNTERVAIL. THEY BELIEVE THE U.S. ALREADY HAS SUFFICIENT GROUNDS FOR WAIVING COUNTERVAILING DUTIES ON HAMS AND THAT THEY SHOULD BE WAIVED SOON. THEY ASKED THAT THEIR CONCERN AND VIEWS BE BROUGHT TO THE ATTENTION OF APPROPRIATE U.S. AGENCIES IN WASHINGTON. END SUMMARY.

2. A REQUEST TO THE AGRICULTURAL ATTACHE FROM THE AGRICULTURAL COUNCIL FOR A MEETING TO DISCUSS CANNED HAMS CAME SHORTLY AFTER A VISIT TO DENMARK BY THE PRESIDENT OF THE MEAT PRODUCT SECTION OF THE AMERICAN IMPORTERS' ASSOCIATION, HENRY GREENEBAUM, IN A PARTY OF FIVE. IN A CALL ON THE ECONOMIC COUNSELOR GREENEBAUM AND HIS GROUP RAISED MANY OF THE POINTS THE DANES SUBSEQUENTLY RAISED BUT ALSO SAID THAT EC EXPORTERS HAD ONLY BEGUN TO REALIZE THE SERIOUSNESS OF THE U.S. COUNTERVAILING DUTY CASE AGAINST HAMS AND THE REAL DANGER OF ADVERSE COUNTERVAILING ACTION. THE ECONOMIC COUNSELOR ALSO ATTENDED THE MEETING WITH THE AGRICULTURAL COUNCIL AND BACON BOARD REPRESENTATIVES.

3. IN THE DANISH PRESENTATION, COUNCIL DIRECTOR KJELD EJLER EXPRESSED SATISFACTION THAT THE U.S. HAD PASSED TRADE LEGISLATION WHICH PERMITTED IT TO ENTER INTO THE MTN BUT SAID THAT DANISH AGRICULTURE FELT THAT THE COUNTERVAILING DUTY CLAUSE WAS TOO RIGID AND WAS RENDERING UNFAIR HARSHIPS ON DANISH AGRICULTURE. HE SAID DENMARK HAD SUFFERED HEAVILY FROM THE ACTION ON CHEESE (NOT ONLY BECAUSE OF U.S. HEAVY-HANDEDNESS BUT ALSO BECAUSE THE EC COMMISSION CAPITULATED TOO READILY) AND THAT NOW THE COUNTERVAILING ACTION ON CANNED HAM THREATENED DANISH AGRICULTURE WITH EVEN A HARSHER BLOW.

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HE AND THE BACON BOARD REPRESENTATIVES REVIEWED THE STATUS OF DANISH PORK INDUSTRY, POINTING OUT THAT PIG NUMBERS AND PORK PRODUCTION HAD DECLINED ABOUT 10 PERCENT IN THE PAST TWO YEARS, THAT EXPORTS WERE FALLING AND THAT EMPLOYMENT IN THE CANNING INDUSTRY HAD DROPPED 26 PERCENT IN 1974. WHILE PRODUCTION AND EMPLOYMENT IN THE INDUSTRY ARE EXPECTED TO SHOW STABILITY AT THE REDUCED LEVELS IN 1974, THE PIG INDUSTRY CONTINUES TO BE HELD BACK BY UNCERTAINTIES ABOUT THE FUTURE

AND THE POSSIBILITY OF U.S. COUNTERVAILING DUTIES IS ONE OF THE MAJOR UNCERTAINTIES.

4. THEY PROVIDED THE FOLLOWING U.S. IMPORT DATA, WHICH THEY SAID WERE OBTAINED FROM USDA:

CANNED HAM IMPORTS FROM DENMARK & THE NETHERLANDS

(MILLION OF POUNDS)

| YEAR | DENMARK | NETHERLANDS | TOTALS |
|-------------------|---------|-------------|--------|
| 1972 | 136 | 74 | 210 |
| 1973 | 126 | 93 | 219 |
| 1974 | 112 | 78 | 190 |
| 1975(JAN.-MAY) 37 | | 31 | 68 |

CITING THE DECLINING TREND SINCE 1972, THEY EXPECT THE TOTAL EC EXPORTATIONS OF CANNED HAMS TO THE U.S. DURING THE CURRENT YEAR WILL CONTINUE TO SIGNIFICANTLY DECLINE DESPITE PRICE IMPROVEMENTS IN THE U.S. PORK MARKET AND INCREASES IN THE EXCHANGE VALUE OF THE DOLLAR.

5. THE DANES SAID HAMS FROM DENMARK AND THE NETHERLANDS SELL AT MUCH HIGHER PRICES THAN THE DOMESTIC PRODUCTS IN THE U.S. BECAUSE OF SUPERIOR QUALITY AS WELL AS COSTS OF LABOR, SHIPPING, CUSTOMS DUTIES ETC. AND THEREFORE ARE NOT IN DIRECT PRICE COMPETITION WITH U.S. DOMESTIC HAMS. THEY SAID THE PRICE DIFFERENCE BETWEEN LOWER PRICED POLISH CANNED HAMS IS USUALLY 6-10 CENTS PER POUND, AND DOMESTIC HAMS NORMALLY SELL AT 20-30 CENTS PER POUND BELOW DANISH HAMS.

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/103 W

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R 101545Z SEP 75

FM AMEMBASSY COPENHAGEN

TO SECSTATE WASHDC 1482
INFO AMEMBASSY BONN
AMEMBASSY BRUSSELS
USMISSION EC BRUSSELS
AMEMBASSY DUBLIN
USDEL MTN GENEVA
AMEMBASSY THE HAGUE
AMEMBASSY LONDON
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PASS AGRICULTURE

6. THEY SAID IT WOULD BE A MISTAKE TO COMPARE IMPORTED CANNED HAMS ONLY WITH DOMESTICALLY PRODUCED CANNED HAMS SINCE, DUE TO VETERINARY RESTRICTIONS, ONLY CANNED HAM CAN BE IMPORTED AND THESE MUST COMPETE AGAINST ALL U.S. PORK PRODUCTION INCLUDING THE TOTAL PRODUCTION OF HAMS. COMPARING THE TOTAL U.S. MARKET FOR FEDERALLY INSPECTED HAMS WITH THAT OF IMPORTED HAMS, THE DANES FIND THE FOLLOWING MARKET SHARES:

| YEAR | DENMARK | NETHERLANDS | POLAND |
|------|-------------|-------------|-------------|
| 1972 | 6.2 PERCENT | 3.4 PERCENT | 2.7 PERCENT |

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| | | | |
|------|-------------|-------------|-------------|
| 1973 | 6.2 PERCENT | 4.5 PERCENT | 2.7 PERCENT |
| 1974 | 5.0 PERCENT | 3.5 PERCENT | 2.6 PERCENT |

7. THE DANES ARGUED THAT THE COINTERVAILING DUTIES SHOULD BE WAIVED, AND WAIVED SOON TO AVOID CONTINUING UNCERTAINTY IN THE INDUSTRY. THEY BELIEVE THE CONDITIONS ARE PRESENT TO JUSTIFY A WAIVER UNDER U.S. LAW. THEY STATE THE COMMON MARKET HAS, IN THE PAST, TAKEN ADEQUATE STEPS TO SUBSTANTIALLY REDUCE THE IMPACT OF RESTITUTIONS ON EXPORTED HAMS TO THE U.S. AND CITE THE REDUCTION IN RESTITUTIONS THAT OCCURED IN 1973 AND 1974. THEY ALSO CITE THE NEGOTIATIONS THAT ARE UNDERWAY IN THE MTN AND BILATERALLY BETWEEN THE EC AND THE U.S.

8. CONVERSELY, IF THE U.S. IN FACT COUNTERVAIL, THE DANES FORESEE DIRECT HARM TO U.S. EXPORTS OF FEEDSTUFFS TO DENMARK AS RESULT OF THE FURTHER DEPRESSING EFFECT SUCH ACTION WOULD HAVE ON DANISH SWINE PRODUCTION. THEY ALSO FORESEE A REDUCTION IN TOTAL U.S. EXPORTS TO DENMARK BECAUSE OF THE ADVERSE EFFECT COUNTERVAILING DUTIES WOULD HAVE ON DENMARK'S BALANCE OF PAYMENTS AND OVERALL ECONOMY. HEY FURTHER STATED THAT COUNTERVAILING OF EC HAMS COULD RESULT IN A SEVERE CLASH BETWEEN THE EC AND THE U.S. AND A BREAK-

DOWN IN THE TRADE NEGOTIATIONS ALREADY UNDERWAY. THEY SAID THE POLITICAL PRESSURE IN THE DANISH PARLIAMENT WOULD BE SUCH THAT RETALIATION AGAINST THE U.S. EITHER BY THE EC OR DENMARK COULD NOT BE AVOIDED.

9. COMMENT: THIS EXPRESSION OF DANISH CONCERN WAS CLEARLY INTENDED FOR PRESENTATION TO WASHINGTON AND THERE WAS NO SERIOUS ATTEMPT BY THE EMBASSY REPRESENTATIVES TO DEBATE THE POINTS RAISED BY THE DANES. WHILE THEIR PRESENTATION AT THIS TIME WAS UNDOUBTEDLY STIMULATED BY THE RECENT VISIT OF U.S. MEAT IMPORTERS, IT REFLECTS A GENUINE DANISH CONCERN ABOUT THEIR VITAL CANNED HAM EXPORTS TO THE U.S. AND A GROWING REALIZATION ON THEIR PART THAT IMPOSITION OF COUNTERVAILING DUTIES ON EC HAM EXPORTS IS A DISTINCT POSSIBILITY. THE DANES HAD BEEN PLACATED UNTIL RECENTLY BY A BELIEF THAT THE U.S. WOULD ALMOST AUTOMATICALLY WAIVE COUNTERVAILING DUTIES ON HAMS AS PART OF A DEAL THAT HAD BEEN STRUCK IN THE TEMPORARY SETTLEMENT OF THE COUNTERVAILING ISSUE ON CHEESE. THIS BELIEF MAY HAVE BEEN ENCOURAGED BY WISHFUL THINKING AS WELL AS BY PRESS REPORTS AND EC LIMITED OFFICIAL USE

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COMMISSION STATEMENTS FOLLOWING RESOLUTION OF THE CHEESE ISSUE. IT IS UNLIKELY THAT A FORMAL PROTEST DIRECTLY TO THE U.S. GOVERNMENT WILL BE RECEIVED FROM THE GOVERNMENT OF DENMARK BECAUSE OF ITS EC RELATIONSHIP BUT OFFICIAL DANISH THINKING NO DOUBT REFLECTS THE CONCERN EXPRESSED BY THE POWERFUL AGRICULTURAL COUNCIL.
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